

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00
PM-04 NSC-05 SP-02 SS-15 L-03 H-01 EA-07 /068 W
-----191909Z 088899 /45

R 191733Z MAY 77
FM AMEMBASSY LONDON
TO AMCONSUL HONG KONG
INFO SECSTATE WASHDC 4123

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 08335

E.O. 11652: GDS
TAGS: EAIR, UK, HK
SUBJECT: US-UK CIVIL AVIATION TALKS - HONG KONG ROUTES

REF: HONG KONG 5695

1. IN DISCUSSION WITH STATE DEPT. OFFICER HKGS
DEPUTY SECRETARY FOR ECONOMIC SERVICES, DAVID WONG, MADE
THE FOLLOWING POINTS ABOUT THE HONG KONG GOVERNMENT'S
(HKG) POSITION ON AVIATION ROUTES IN THE PACIFIC:

(1) THE HKG IS WILLING TO ACCEPT CONTINUED 5TH FREEDOM
RIGHTS FOR U.S. CARRIERS TO BANGKOK AND TOKYO - WITH
FREQUENCY RESTRICTIONS - BECAUSE IT ACCEPTS THAT THESE
RIGHTS ARE NECESSARY FOR THE VIABILITY OF THOSE U.S.
ROUTES. HKG DATA AND ANALYSIS, HOWEVER, SUGGESTS NO
SUCH NEED FOR 5TH FREEDOM RIGHTS FOR U.S. ALL-CARGO
FLIGHTS OR ADDITIONAL 5TH FREEDOM RIGHTS TO REGIONAL
POINTS FOR U.S. COMBINATION CARRIERS. THE HKG, THERE-
FORE, WILL NOT GRANT THOSE RIGHTS IN A NEW AGREEMENT
UNDER ANY CIRCUMSTANCES.

(2) WONG CLAIMED THAT HKG DATA SHOWS THAT ABOUT 17 PER
CENT OF THE VALUE OF ALL U.S. CARGO TRAFFIC THROUGH
HONG KONG IS 5TH FREEDOM TRAFFIC. HE ESTIMATES THAT
5TH FREEDOM CARGO GENERATES ABOUT 6 PER CENT OF TOTAL
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U.S. CARRIER CARGO REVENUES AND REPRESENTS ABOUT \$3 OR
\$4 MILLION OF THE REVENUE FOR U.S. ALL-CARGO CARRIERS.
HE DISCOUNTED THIS REVENUE AS IMPORTANT TO THE
VIABILITY OF U.S. ALL-CARGO ROUTES.

(3) WHILE PROVIDING A PHILOSOPHICAL DEFENSE FOR REGIONAL
ASIAN CARRIERS CARRYING REGIONAL TRAFFIC, WONG ALSO
POINTED OUT THAT CATHAY PACIFIC HAS NUMEROUS POOLING

ARRANGEMENTS WITH OTHER REGIONAL CARRIERS FROM WHICH IT WOULD STAND TO BENEFIT IF THEY RATHER THAN U.S. CARRIERS CARRIED THE CARGO. WONG DISCOUNTED THE ARGUMENT THAT THE CAPACITY TO MEET THE PEAKS IN HONG KONG'S LONG HAUL REQUIREMENTS COULD ONLY BE PROVIDED BY /U.S. CARRIERS IN AN ECONOMICALLY VIABLE WAY WITH THE ADDITION OF 5TH FREEDOM CARGO RIGHTS.HGHE NOTED THAT ALL THE CAB HAD TO FY TO PROVIDE THAT EXTRA CAPACITY IS TO ALLOW MORE U.S. SUPPLEMENTAL CARRIERS TO FLY BETWEEN HONG KONG AND THE U.S.

(4) THE HKG IS WILLING TO SUPPORT 5TH FREEDOM RIGHTS TO NON-REGIONAL POINTS FOR U.S. AROUND-THE-WORLD FLIGHTS IF THE U.S. AGREES TO THE SAME ARRANGEMENT IT GAVE TO BERMUDA FOR LANDING RIGHTS IN THE U.S. (A CHOICE OF ANY 3 MAINLAND U.S. POINTS). WONG LISTED HIS PRIORITIES FOR MAINLAND U.S. POINTS AS SAN FRANCISCO' LOS ANGELES. AND FINALLY ANY OF THE OTHER POINTS, SUCH AS SEATTLE, WHICH THEY HAD PREVIOUSLY REQUESTED. HE ARGUED THAT HE HAD TO HAVE THESE POINTS FOR OPTICAL POLITICAL REASONS IN HONG KONG AND CATHAY PACIFIC HAD NO PLANS TO FLY THESE ROUTES. HE SAID THAT HE IS WILLING TO PROVIDE A SIDE LETTER AGREEING NOT TO USE THE ROUTES FOR 7 YEARS. (S) IN DISCUSSING WHAT WOULD HAPPEN AFTER JUNE 22 IN THE EVENT U.S. AND U.K. HAD REACHED NO AGREEMENT, OFFICER SAID THAT THE U.S. COULD ONLY AGREE TO A YEAR'S EXTENSION OF THE STATUS-QUO OR WOULD HAVE

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 08335

TO TERMINATE AIR SERVICES BETWEEN THE U.S. AND /U.K. POINTS. WONG ASKED IF THIS WOULD INCLUDE HONG KONG; OFFICER ASSURED HIM THAT IT WOULD. OFFICER NOTED THAT ANY QUESTION OF INTERRUPTION OF AIR SERVICES WOULD SURELY INVOLVE THE PRESIDENT AND THE PRIME MINISTER AND IN THAT EVENT THE INTERESTS OF HONG KONG WOULD CLEARLY NOT BE AT CENTER STAGE. WONG CLAIMED TO BE CONFIDENT THAT THE U.K. WOULD NOT AGREE TO ANYTHING IN THE PACIFIC WITHOUT THE APPROVAL OF HONG KONG.

(6) COMMENT: WONG IS TAKING A VERY TOUGH LINE. HE APPEARS TO GENUINELY BELIEVE THAT U.S. COMBINATION AND ALL CARGO CARRIERS DO NOT REQUIRE 5TH FREEDOM RIGHTS (OTHER THAN TOKYO AND BANGKOK) IN ORDER TO PROVIDE ECONOMICALLY VIABLE AND ADEQUATE SERVICE TO HONG KONG. HE ARGUES THAT HONG KONG IS A LUCRATIVE MARKET, THAT U.S. CARRIERS WILL CONTINUE TO FLY IT WITHOUT 5TH FREEDOM RIGHTS, AND THAT CATHAY PACIFIC WILL BE IN A POSITION TO EXPAND AS A REGIONAL CARRIER AND INCREASE ITS EARNINGS FROM ITS POOLING ARRANGEMENTS IF U.S. CARRIERS DO NOT HAVE THESE ADDITIONAL 5TH FREEDOM RIGHTS. U.S. DELEGATION WILL APPRECIATE ANY COMMENTS CONSULATE GENERAL MAY HAVE ON WONG'S PRESENTATION
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BEFORE FORMAL DISCUSSIONS OPEN ON HONG KONG MAY 23.

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Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 19-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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